

# THE UNIVERSITY OF ALABAMA

## Glossary of Finance Terms

### A

<b>Account Code</b>	The first “A” in “FOAPAL” that describes the nature of expenditures and revenue in the Operating Ledger, as well as assets and liabilities in the General Ledger. Listing is available on ePrint.
<b>Accounts Payable Accruals</b>	Amounts to be paid <u>to</u> external parties for goods and services rendered in the current year.
<b>Accounts Receivable Accruals</b>	Amounts due <u>from</u> external parties for goods or services rendered in the current year.
<b>Accrual</b>	The accrual accounting method reports revenue when earned (rather than received) and expenses when incurred (rather than paid). Therefore, it may be necessary, particularly at year-end, to journalize revenues or expenses that have not yet been posted. A reversing entry in the new year is necessary, so as not to double count the actual revenue or expense once it is processed.
<b>Activity Code</b>	The second “A” in “FOAPAL” that describes an activity group of revenues and expenditures. An example would be a course in Continuing Studies. Activity Code cannot be used for Budgets. Listing is available on ePrint.
<b>Actuals</b>	The term “Actuals” refers to real revenues, salaries, expenditures, or transfers that have been posted to a fund. It is also known as Year-To-Date Activity.
<b>Adjusted Budget</b>	Adopted Budget plus all Budget Adjustments (permanent and temporary adjustments), also called Current Budget.
<b>Adopted Budget</b>	Original Budget approved by the Budget Office (always permanent budget). It establishes the available resources for the specified year. (Document type – BD01)
<b>Advance</b>	A transfer of moneys for which an accounting must be rendered at some later date.

<b>Agency Funds</b>	Resources held by the institution as custodian or agent for students, faculty or staff, and organizations. Funds are reported on the financial statements as a liability (no flow through of revenues/expenses). Examples include Journal of Clinical Psychology, ASEC Conference and American Chemical Society.
<b>Amortization</b>	The process of allocating the cost of an intangible asset over the periods it benefits.
<b>Amortization Schedule</b>	Table of prospective payments or write-downs relating to an obligation. The schedule covers both principal and, when applicable, interest for each payment.
<b>Annuity funds</b>	Resources invested or available for investment to produce income to be paid to named beneficiaries, along with partial return of principal. The institution may use the remaining principal upon the deaths of the beneficiaries.
<b>Asset</b>	A tangible or intangible item that has a positive value to the University. Some examples are: cash, receivables, a building, a piece of equipment, investments. An asset account should normally have a debit balance.
<b>Auxiliary</b>	An entity that exists to furnish a service to students, faculty, or staff and charges a fee directly related to, although not necessarily equal to, the cost of the service; managed as essentially self-supporting.
<b>Available Balance</b>	Adjusted Budget minus Year-To-Date Activity minus Commitments, also known as Budget Balance Available (BBA). It is the amount available to spend.

## **B**

<b>Balance Sheet</b>	A report of financial status at a specific time showing assets, liabilities, and fund balances of an entity.
<b>Banner Finance</b>	Web based software used record financial transactions.
<b>Bequest</b>	A gift given to the University at the time of a person's death as set forth in the individual's last will and testament.
<b>Budget</b>	A financial plan serving as an estimate of and a management tool for future operations.

**Budget Adjustments** Changes to the Original Budget. These may be permanent changes (document type BD02) or temporary changes (document types BD04 or BD14).

## C

**C&G funds** Contracts and Grants funds.

**Capital asset** Asset intended for long-term, continued use or possession, such as land, buildings and equipment. Synonymous with fixed asset or capital addition.

**Capitalization Policy** A statement of criteria to determine which expenditures will be expensed and which will be recorded as capital assets. Also, a statement of criteria used to determine if an expenditure will increase the value of a fixed asset to benefit a future period.

**Capitalize** To record in plant accounts the value of equipment purchases that, by policy, are to be recorded as capital assets. Also, to record and carry forward into one or more future periods any expenditure from which benefits or proceeds will then be realized; to add to a fixed-asset account the cost of plant additions, improvements, and expenditures that increase the value of a capital asset.

**Chart of Accounts** Blueprint of financial structure. For Banner purposes, the chart represents the entity. For example, A = The University of Alabama; C = Capstone Foundation; D = Donor Advised Fund; E = 1831 Foundation; L = Law School Foundation; N = National Alumni Association; T = Crimson Tide Foundation.

**COGNOS** Third party software used to load annual salaries and original budget (permanent budgets).

**Commitment** The sum of all reservations (requisitions) and encumbrances (purchase orders, general and labor encumbrances).

**Construction in progress** Accumulated value of expenditures for a capital asset that is incomplete at the end of the accounting period.

<b>Credit</b>	An accounting entry that is either: an addition to a liability account; revenues; a deduction from an asset account; or a reduction of expenses.
<b>Credit Memo</b>	The credit memo resembles a Vendor Invoice in every respect except that the gross amount is a credit to the University, not a debit.
<b>Current funds</b>	Economic resources of an institution expended for primary and supporting missions of the institution; used for general operating purposes and expended in the near term.

## D

<b>Data Enterable</b>	Refers to a code against which transactions may be posted. Non-data enterable codes are used for summarizing information and cannot have postings associated to it.
<b>Debt Service</b>	Payment of interest and matured principal; outlay needed or accrued for meeting such payments during any given accounting period.
<b>Debit</b>	An accounting entry that is either: an addition to an asset account; expenses; a deduction in a liability account; or a reduction of revenues.
<b>Defaults</b>	A short cut to minimize data entry; for example, entering a FUND code will usually populate both the recommended ORGN and PROG codes.
<b>Deferred Revenues</b>	Receipt of funds in advance of the accounting period in which the revenue will be earned.
<b>Deficit</b>	Also known as overdraft. A balance less than \$0.00. Budget deficits would exist when Expenses and Commitments exceed Budget Available.
<b>Depreciation</b>	The means by which the cost of a capital asset is matched against the revenue generated by the asset. The cost of the asset is amortized over its useful life to determine the amount of the annual depreciation expense.
<b>Designated Resources</b>	Internally imposed requirements created by the governing board on unrestricted net assets.

**Document Number** A unique number sequentially assigned to every on-line document in process. Also known as document code. See Document Numbers Inventory.

**Document Type** A further breakdown of types within a document coding scheme. Also known as rule code. See Document Types.

**Donor** An individual or entity that makes a contribution.

## **E**

**E&G** Educational and General. Refers to all unrestricted funds.

**Encumbrance** Anticipated expenditure evidenced by a contract or purchase order; a commitment.

**Encumbrance Ledger** The set of books against which details for all original, adjusted or liquidated encumbered and reserved amounts. The Encumbrance Ledger contains all the University's commitments.

**Endowment** Funds that are invested or available for investment to produce revenue for current use. The income may or may not be restricted in purpose. See Endowment Accounting Manual for more details.

**Eprint** Report Repository of financial data.

**Expenditure** The cost of goods delivered or services rendered, whether paid or accrued, including expenses, debt service and capital outlays.

**Expense** Charges incurred, whether paid or accrued, for operation, maintenance, interest and other charges that are presumed to benefit the current fiscal period.

## **F**

**FASB** Financial Accounting Standards Board. FASB establishes accounting and financial reporting standards for all private-sector commercial and not-for-profit entities. The following foundations adhere to FASB guidance: Capstone Foundation, Law School Foundation and National Alumni Association.

<b>Financial Manager</b>	The individual responsible and accountable for the Fund or Organization Code.
<b>Financial Statements</b>	A set of reports consisting of a Statement of Net Assets (SNA, similar to a balance sheet), Statement of Revenues, Expenditures, and Changes in Net Assets (SRECNA, similar to an income statement), Statement of Cash Flows and explanatory notes. The University issues an annual audited financial statement for the period ending September 30.
<b>Fiscal Period</b>	A month within the fiscal year. Codes 01 to 12 represent October to September, and period 14 represents the accrual period (once the regular September month is closed, the accrual period is opened to perform special entries for “year-end” financial reporting).
<b>Fiscal Year</b>	Twelve consecutive months used as an accounting period/cycle. The University fiscal year is October 1 through September 30, as is the fiscal year for the State of Alabama. For example, Fiscal Year Code 10 represents October 1, 2009 to September 30, 2010.
<b>FOAPAL</b>	The acronym representing the six independent elements of the University’s chart of accounts: Fund, Organization, Account, Program, Activity and Location.
<b>Functional</b>	Classification of expenses focused on the programs or objectives of the institution (for example, instruction, research, public service, etc.). Also known as program codes.
<b>Fund</b>	A self-balancing separate group of accounts, consisting of assets, liabilities, and equity accounts.
<b>Fund Code</b>	The “F” in “FOAPAL” that defines the source of money and whether a restriction has been imposed by the contributor of the money as to how it can be spent.

## G

<b>GAAP</b>	Generally Accepted Accounting Principles: a body of knowledge used to describe the basis on which financial statements are normally prepared, addressing recognition, measurement, disclosure and presentation issues.
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<b>GASB</b>	Governmental Accounting Standards Board. GASB establishes accounting and financial reporting standards for all state and local governmental entities, including public colleges and universities. The University of Alabama and the following foundations adhere to GASB guidance: Donor Advised Fund, 1831 Foundation and Crimson Tide Foundation.
<b>General Ledger</b>	The set of books against which assets, liabilities and fund balances are recorded. The General Ledger is the basis for the University's annual Statement of Net Assets (similar to a balance sheet).
<b>Gift</b>	A resource provided by a donor who enters into the transaction voluntarily and receives nothing other than a "token" of appreciation in exchange for the resource he/she is providing. Contributions can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Gifts are classified according to the absence or presence of donor stipulations as either unrestricted or restricted.
<b>Grant</b>	A Grant Code is related to a Fund Code when cumulative results over multiple years (inception-to-date) or when a different fiscal year to the University's fiscal year is required for reporting purposes. Resources provided to an institution to advance the level of knowledge about a particular subject; usually requires a report back to the granting agency (often a federal or state agency) summarizing the results of the activity.
<b>Grant Ledger</b>	The set of books against which revenue, expense and transfers for all funds linked to grants are recorded. The Grant Ledger contains cumulative details to support inception-to-date reporting for grants and contracts spanning multiple years.
<b>Granting Agency</b>	An entity that provides support (e.g., money, equipment) for a project.

## H

**Hierarchy** Each FOAPAL element has its own hierarchy which is defined by the fact that every code has a predecessor code. The lowest level of a hierarchy contains a data-enterable level code (to which transactions can be posted). The higher levels contain roll-up codes (used for summarizing in reports).

## I

**Inception-to-Date** Also referred to as ITD Total. This is a concept limited to funds that are linked to a grant code. Inception-to-date calculations are the accumulation of activity in a given fund since the grant was established. In other words, the running totals could span multiple years and not correspond to the University's fiscal year.

**Indirect Cost Recovery** The charge to a grant or contract to reimburse the University for a share of indirect cost.

**Indirect costs** Also known as overhead. Costs that cannot be easily identified with the primary functions of instruction, research and public service, but are expended to meet the requirements of those functions.

**Inter-Fund** Between or amongst different funds.

**Internal Sales** Sales of goods and services from one University unit to another. Also known as recovery.

**Intra-Fund** Within a fund.

**Investment** An exchange of cash for a less liquid asset that is expected to increase in value beyond the initial purchase price. Investment vehicles include corporate stocks and bonds, government bonds and real estate.

**Investment Pool** A number of endowment or other resources commingled for asset management and accounting purposes.



## J

## K

## L

<b>Labor Distribution</b>	The allocation of an employee's salary and wages to appropriate University accounts to reflect the effort of that employee.
<b>Ledger</b>	A "set of books" against which financial transactions are posted.
<b>Liability</b>	Obligations of the University to transfer assets or provide services to other parties in the future as a result of past transactions or events. Some examples are: unpaid balances to vendors for items that have been received; tuition and fees collected from students before the academic year has started; and money set aside to fulfill promises to pay pension and health benefits to current employees after they retire. A liability account normally should have a credit balance.
<b>Location Code</b>	The "L" in "FOAPAL" is an optional element to describe the physical whereabouts of financial transactions. This element is used by Property and Inventory Management to determine the location of fixed assets.

## M

<b>Mechanicals</b>	Automated procedures that run at month-end. These are routine journal entries or budget entries are recorded every month prior to closing. They provide a more efficient way to record entries required each month.
<b>Month-end</b>	Monthly process to close the operating and general ledger. Involves all transactions that occurred during that month. Once the closing process runs, no transactions can be recorded to that period.

## N

<b>Necessary and reasonable expense</b>	A necessary and reasonable expense is one for which a clear business reason exists and for which the cost is not excessive.
<b>NSF</b>	Non-sufficient funds. Actual expenses and commitments exceed the budgeted amount.
<b>NSF queue</b>	Requisitions and purchase orders will route to the non-sufficient funds queue when there is not enough budget to allow the transaction. The Budget Office will disapprove these items.

## O

<b>O&amp;M</b>	Operations and Maintenance. Also referred to as state funds. Funds 11000 – 11011.
<b>Operating Funds</b>	Resources provided from the central University budget, composed of various types of revenue (usually state appropriations and tuition and fees), which are pooled and then allocated to individual organizations through budgeted amounts.
<b>Operating Ledger</b>	The set of books against which revenue, expense and transfers are recorded. The Operating ledger is the basis for the University's annual Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) and is closed out into the General Ledger each October 1 <sup>st</sup> .
<b>Organization Code</b>	The "O" in "FOAPAL" that defines the departmental entities or budgetary units within the University responsible and accountable for financial activity.
<b>Overhead</b>	See Indirect Costs.

## P

<b>PCard</b>	Procurement Card. A University selected credit card assigned to authorized Cardholders for the purpose of purchasing goods and services up to specified amounts for business purposes.
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<b>Permanent Budget</b>	Also known as the Original or Adopted Budget. It establishes the available resources for the specified year.
<b>Pledge</b>	A pledge is an intent to give (not legally enforceable) or a promise to give (legally enforceable). Only pledges considered unconditional promises to give are reported as assets on the University's financial statements.
<b>Position Budgeting</b>	Relates to all funds except Contract and Grant funds whereby a budget is associated to each position, with a breakdown of Permanent vs. Temporary budget.
<b>Position Numbers</b>	For all funds except Contract and Grant funds, salary budgets are attributed to each unique position number. There are single positions (regularly budgeted positions), pooled positions (temporary help at the University level), student positions and supplementary positions.
<b>Posted</b>	Refers to the status of a transaction when it has been completed, approved and added to the ledger. It is therefore final and unalterable.
<b>Prepaid expense</b>	Expenses paid in a fiscal year which specifically related to the operations of a future fiscal year.
<b>Principal Investigator</b>	The individual identified in a sponsored agreement as the person who will lead the project's activity. Also referred to as PI.
<b>Program Code</b>	The "P" in "FOAPAL" that defines the functional area in which funds are being spent.

## Q

## R

<b>Research Contract</b>	Research for which there is an end result deliverable expected.
<b>Research Grant</b>	Grants are defined as contributions for which no deliverable is expected. Resources are provided to an institution to advance the level of knowledge about a particular subject.

<b>Reservation</b>	Budget reservation, the setting aside of budgets. Generated by purchase requisitions. Included in Total Commitments.
<b>Restricted Funds</b>	Funds provided by a contribution with stipulations imposed by the contributor, sponsor, donor, etc. who is external to the University.
<b>Restrictions</b>	Stipulations imposed that specify how resources must be used.
<b>Revenue</b>	Additions to assets that do none of the following: increase any liability; represent the recovery of an expenditure; or represent a transfer of reserves between two funds. Some examples are: tuition and fee revenue, sales of goods and services to external entities, and earnings on investments.
<b>Rule Code</b>	Document type. Identifies the type of transaction recorded in Banner.

## S

<b>Sponsor</b>	An entity that funds a project (usually research-related).
<b>Sponsored Research</b>	An arrangement, represented by a signed grant, contract or cooperative agreement, in which the University agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budgeted financial compensation.

## T

<b>Temporary Budget</b>	Budgets applicable only to the current year.
<b>Transaction</b>	Any event that involves an exchange of funds between two parties. Examples are: Paying a bill to a vendor, paying an employee, collecting a fee from a student, and an interdepartmental charge.
<b>Transfer</b>	Movement of resources from one account to another with no intention of repayment.

## U

<b>UASPEF</b>	University of Alabama System Pooled Endowment Fund. All endowments, except those required by the donor to be invested separately, are held and invested by the System Office and are administered and reviewed by the investment committee of the Board of Trustees.
<b>Unearned Revenue</b>	Revenue collected in advance of the delivery of a good or service.
<b>Unexpended Plant</b>	Resources specifically identified and formally committed to construction or acquisition of capital assets that are unexpended at reporting date.
<b>Unrestricted Funds</b>	Funds not subject to external limitations and therefore available for operations of the current or future periods.

## V

<b>Vendor</b>	Refers to any business or individual paid through Accounts Payable.
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## W

<b>WORKS</b>	Online service used to approve and reconcile Pcard (procurement card) purchases and generate reports.
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## X

## Y

<b>Year-end</b>	The term used to describe both the time of closing and the process of closing the University's operating cycle. The University's fiscal year-end is September 30. The process takes several months, from closing the records and reporting to departments, to providing information to the independent auditors, to preparing the annual report, and then preparing the supplemental reports.
<b>Year-end Cutoff Reports</b>	Since September is the final month of the University's fiscal year, there are several phases or "cutoffs" prior to the closing

of the books. Users involved with closing entries and analysis particular to year-end require reports that are frozen points in time. Eprint reports will be produced with these Cutoffs.

1<sup>st</sup> Cutoff, run on October 1<sup>st</sup>, includes the regular month of September data recorded through September 30.

2<sup>nd</sup> Cutoff, typically run mid October, includes all transactions posted in period 12, prior to the opening of the accrual period (14).

3<sup>rd</sup> Cutoff, typically April or May, after all audit work and supplemental reports are produced. Period 14 will be closed and final reports produced for that fiscal year.

### **Year-to-Date**

Also referred to as “YTD Actuals” or “YTD Totals.” This refers to the cumulative revenues, salaries, expenditures or transfers posted to a fund since the beginning of the University’s fiscal year (October 1<sup>st</sup>).

**Z**